



As reprinted from 01/08/2009

Arizona officials clash on step toward borrowing

PHOENIX - Top state officials clashed Thursday over whether to prepare for borrowing as early as next month if Arizona runs out of cash, with Gov. Janet Napolitano calling Treasurer Dean Martin's proposal premature and Martin declaring that he can't ignore fiscal realities.

The Democratic governor, the Republican treasurer and Administration Director Bill Bell make up the state Loan Commission, a panel that last met in 1999.

Martin, the chairman, called the meeting to have the commission set a maximum interest rate so that he can negotiate with banks for credit.

Arizona faces a projected \$1.2 billion shortfall in the current budget year and an even larger gap is anticipated in the budget year that starts July 1.

As Martin opened the meeting and stated his intentions, Bell leafed through a sheaf of papers provided by the treasurer and Napolitano sat back in her chair, with her hands clasped in her lap.

Then, Napolitano jumped in to object to Martin's proposed course, saying he was moving precipitously and that no action was needed now because she has proposed budget fixes to the Legislature and lawmakers have time to act.

At one point Napolitano, a former U.S. attorney and Arizona attorney general, challenged Martin by asking — "yes or no" — whether he was assuming that no action would be taken to head off the crisis before the state runs out of cash.

"These are big decision in a volatile marketplace," she said.

He responded by saying he was intricately familiar with the state's fiscal situation and could not ignore that the Legislature did not hold an expected December special session. He also said Napolitano's own accounting office put the state on track to run out of cash by March 13.

"That just reaffirms why this is a premature discussion," Napolitano said.

"Except, governor, you don't run the treasurer's office," Martin said. "We have to plan for the worst but work towards the best."

Discussion continued as Martin and Napolitano repeatedly talked over each other before the governor and Bell voted to table Martin's proposal. Bell, a veteran state agency head, is a Napolitano appointee.

Martin said later he will call another meeting after Secretary of State Jan Brewer replaces Napolitano as governor. Napolitano is expected to step down as soon as the U.S. Senate confirms her as president-elect Barack Obama's homeland security secretary.

Napolitano amended her tabling motion to specify it was for 45 days. But Martin, who served as a committee chairman while a state legislator, said Bell did not second that part of the motion so it wasn't voted on before the meeting adjourned.

That means he can call another meeting when Napolitano leaves office to join Obama's cabinet and is replaced as governor by Brewer, a Republican. That's expected to occur later this month.

Napolitano, speaking to a gaggle of reporters as she waited for an elevator to return to her own office, reiterated a comment that she made during the meeting that Martin was staging a "media event."

Martin said state law required the commission members to meet in public.

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